

Connecticut State Board of Accountancy
March 7, 2006
Minutes

Chairman Reynolds called the meeting to order at 8:33 A.M. in the second floor conference room, 30 Trinity Street, Hartford.

Present:

Thomas F. Reynolds, CPA, Chairman
Richard P. Bond
James Ciarcia
Philip J. DeCaprio Jr., CPA
Richard Gesseck, CPA
Berthann Jones
Leonard M. Romaniello, Jr., CPA
Richard Sturdevant
Michael Weinshel, CPA

Staff Members Present:

David L. Guay, Executive Director
Rebecca Adams, Legal Counsel
Denise Diaz
Stephanie Sheff

Motion made by Michael Weinshel to accept and approve the Minutes of the February 7, 2006 State Board of Accountancy meeting, seconded by Philip J. DeCaprio Jr., all voted in favor.

In a review of Board operations Executive Director Guay briefed the Board on the operations of the Board and provided the members with a written summary. A discussion was also held on the Board's FY2006/2007 Budget proposal to save \$45,000 in other expenses in the current FY2005/2006 and have those funds not lapse and be rolled over to the next FY2006/2007 in personnel services to fund a third clerical position. Executive Director Guay explained that the proposed budget included the roll over of the funds but not the increase in the personnel position count. Executive Director Guay indicated that he would work with the Legislature to include the position count.

Motion made by Leonard M. Romaniello, Jr. and seconded by Richard Sturdevant to approve the March 7, 2006 list of individual applications for CPA Certificate, Registrations and CPA Licenses, all voted in favor.

Motion made by Richard Sturdevant, and seconded by James Ciarcia to approve the March 7, 2006 list of Firm Permit to Practice applications, all voted in favor.

March 7, 2006 Enforcement Docket

Attorney Adams Requesting Dismissal:

Barry Smith – 2005027

Staff recommends dismissal of this case based on the following facts:

The complainant, Ms. Janet Somstroem, confirmed via telephone on March 6, 2006, that the records she sought on behalf of Norton Associates, LLC, were forwarded to her and her current CPA several months ago and, therefore, the matter is "all taken care of" as far as she is concerned.

Motion made by James Ciarcia, and seconded by Philip J. DeCaprio Jr. to dismiss Case No. 2005027 Barry Smith, all voted in favor.

Chairman Reynolds informed the Board that he was going to skip down to Agenda Item Number 8, Update and Discussion on Raised Bill 65. Executive Director Guay reported that the Government Administration and Elections Committee held a public hearing on February 14, 2006, at which time written testimony on behalf of the Board supporting the measure was submitted.

At this point Chairman Reynolds opened up the meeting to public comment and discussion on Raised Bill 65. The first speaker was Professor Mohamed Hussein, University of Connecticut Accounting Department head. Professor Hussein presented oral and written comments concerning the proposed change in the education requirements to sit for the CPA Exam.

Statement to the Connecticut Board of Accountancy
Mohamed Hussein, University of Connecticut Accounting Department Head
March 7, 2006

Thank you for giving us the opportunity to present to you our position concerning the proposed change in the educational requirements to sit for the CPA exam. I am joined with colleagues from Fairfield University, Quinnipiac University, and the University of Hartford.

We share the important goal of our colleagues and friends from the CSCP, which is to increase the number of young CPAs joining the profession. However, we do not believe the decrease in educational requirements to sit for the CPA exam from 150 credit hours to 120 credit hours will increase the number of CPAs. More importantly, the data already show that it most likely will decrease the number of those who pass the exam. Empirical evidence shows that candidates with a 150 credit hours have a significantly higher passing rate than those with 120 credit hours. This is even before the explosion in rules and standards that we are witnessing now from SOX, the PCAOB, COSO, the AICPA, and the convergence between FASB and the IASB.

We also believe that candidates with a 150 credit hours are more productive contributors in their first job than candidates with 120 credit hours. In the current system most candidates complete the 150 credit hours within the first year of matriculation. Thus, they not only have the knowledge needed to pass the CPA exam but also to perform at a higher level at work than someone with only 120 credit hours. We believe smaller CPA firms that do not have the training resources of the larger firms will benefit more from having staff with 150 credit hours who would have a greater probability of passing the exam quickly and devoting their time to work.

We have been working hard to incorporate in our curriculum the new rules, standards and knowledge resulting from, to name a few, SOX, the PCAOB, and COSO. We have found that we cannot accommodate these requirements and related knowledge in the 120 credit hours. We have had to design new courses at the master's level to prepare our students for the ever-increasing demands of the current professional environment. Attached are examples of four new courses that we have had to add this coming summer.

The period since the change to the 150 credit hours is too short to produce definitive conclusions about the causes of changes in the number of candidates sitting for the CPA exam. However, we do know the following:

1. First, the spike in the number of candidates in the two or three years before 2000 can be attributed to the desire of candidates to beat the deadline for the new requirement. Furthermore, the significant increase in the number of candidates before 2000 had also drained the pipeline compared to states that did not switch to the 150 credit hours. See Charts 1 and 2. Hence, the decline looks greater in the 150 credit hours states than in the 120 credit hours states.
2. The number of candidates in the 150 credit hour states started to increase until the switch to the electronic exam and the spike in work loads due to Sarbanes-Oxley led to a significant decrease in both 150 and 120 credit hours states. Please see Charts 3 and 4 and Table 1.

3. The good news is that many bright students who opted for information management and finance in the late 1990s have switched to accounting. Across the country and in Connecticut almost all accounting programs are experiencing significant increases in enrollment. See Charts 1 and 2. More importantly, many of them are choosing to work for local and regional firms. At UConn we see many local firms recruiting and succeeding in hiring our students. Please see Table 2.

We believe that it is unlikely that the change to 120 credit hours to sit for the exam will increase the number of candidates beyond the natural rebound that is already occurring. However, the change is likely to reduce the pass rate as well as create administrative problems and hardships for our students that would further discourage them from taking the exam. Consider two examples. First, with the 120-hour education requirement would they be able to take the exam before they start work in the fall? The answer is probably not since it takes time for universities to confer the degree and for students to get permission to schedule the exam. Second, how will a 150-hour state treat a Connecticut CPA who took the exam with less than 150 hours?

In summary, we share the concerns of the CSCPA and the State Board. We think that the legislation will not accomplish its intended goal. Rather, it would create a number of unintended consequences that would on balance make candidates in Connecticut worse off. We believe that an alternative course of action is for the CSCPA, State Board, and educators is to work together to eliminate impediments administering the exam, to encourage students to take the exam as soon as possible upon completing the 150 hours, and to work together to foster relationships that would help increase the supply of new hires at local CPA firms through internships and other programs such as job shadowing.

Course Descriptions

ACCT 349

Accounting and Disclosure for Not-for-Profit Organizations

3 Credits

Accounting for not-for-profit organizations (NFPs), including educational institutions, hospitals and other healthcare entities, and civic and cultural organizations, is substantially different than for-profit entities. This course will examine issues relating to preparing and using financial statements for NFPs, including accounting, audit, and disclosure requirements relating to government grants awarded to NFPs.

ACCT 353

Evaluating Internal Controls

3 Credits

This course examines frameworks for evaluating the control practices that an organization relies on to help ensure the integrity of information provided by its accounting systems. Students will learn how to: (1) analyze an organization's control environment and processes to assess information integrity risks that can be managed with control procedures; (2) design, implement, and monitor internal controls for both manual processing procedures and information-technology-intensive accounting systems; and (3) test the effectiveness of controls in order to evaluate the extent to which deficiencies threaten the reliability of accounting information.

ACCT 382

Research for Accounting Professionals

3 Credits

This course provides students with the skills required of an accounting professional to research, analyze, and communicate findings relating to complex financial reporting, auditing, internal control, and tax issues. Students will learn how to identify the appropriate resources to meet information needs and then how to use resources including databases that cover the authoritative literature.

ACCT 383

Financial Reporting and Auditing Implications Relating to Income Taxes

3 Credits

This course focuses on the financial reporting and auditing provisions related to federal, foreign, and state income taxes. Students will learn how to: calculate income tax amounts reported on the income statement, balance sheet, and statement of cash flows; prepare the income tax footnote and related disclosures; audit income tax balances and

disclosures; identify the important processes that allow firms to accurately report income tax-related amounts and disclosures; and evaluate management's assessment of internal controls relating to income taxes.

Chart 1
(Sources: CT Department of Higher Education and NASBA)

Enrollment, Degrees Granted, CPA Exam

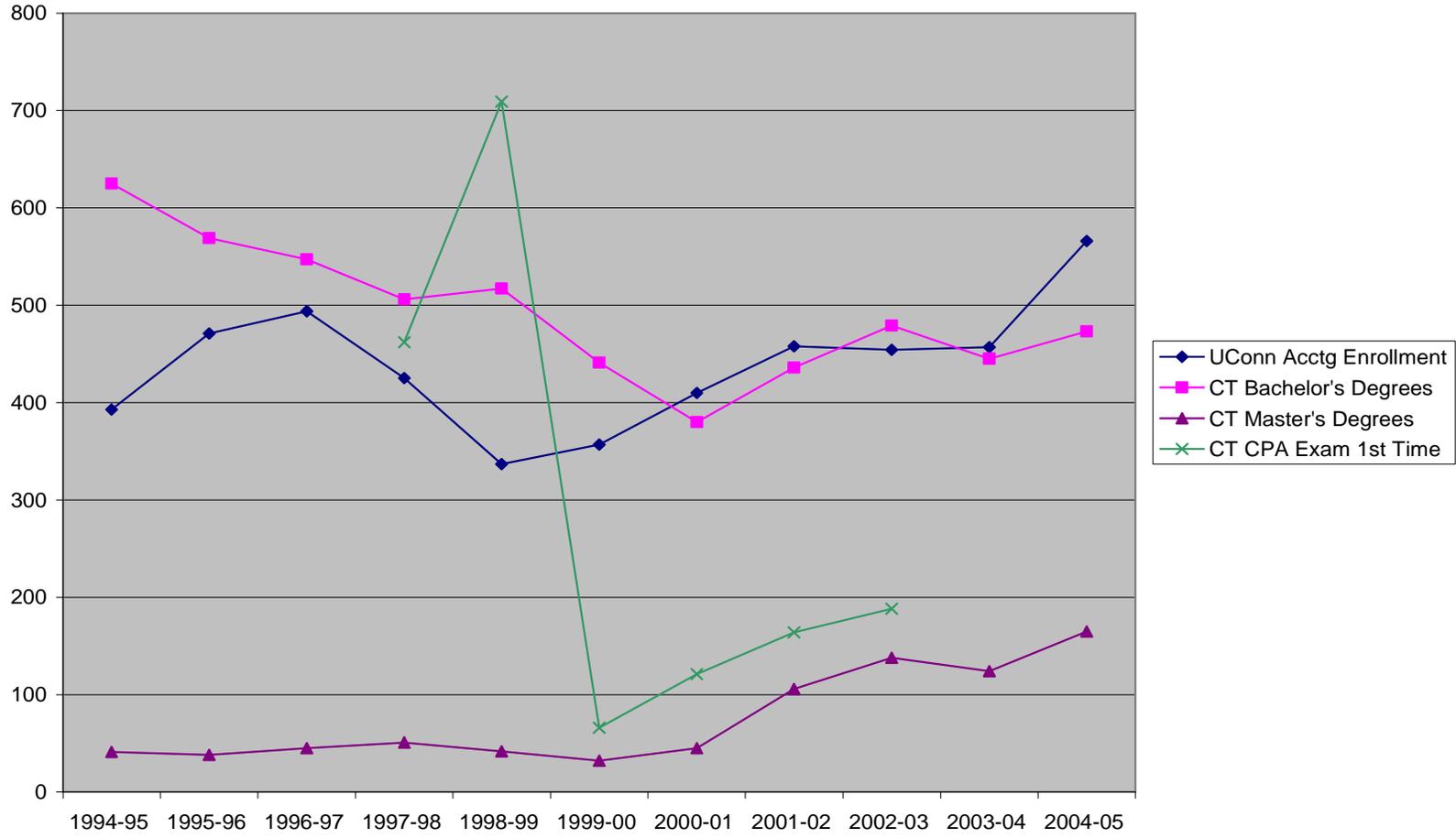


Chart 2
(Sources: CT Department of Higher Education and NASBA)

Rebound Relative to 1994-1995

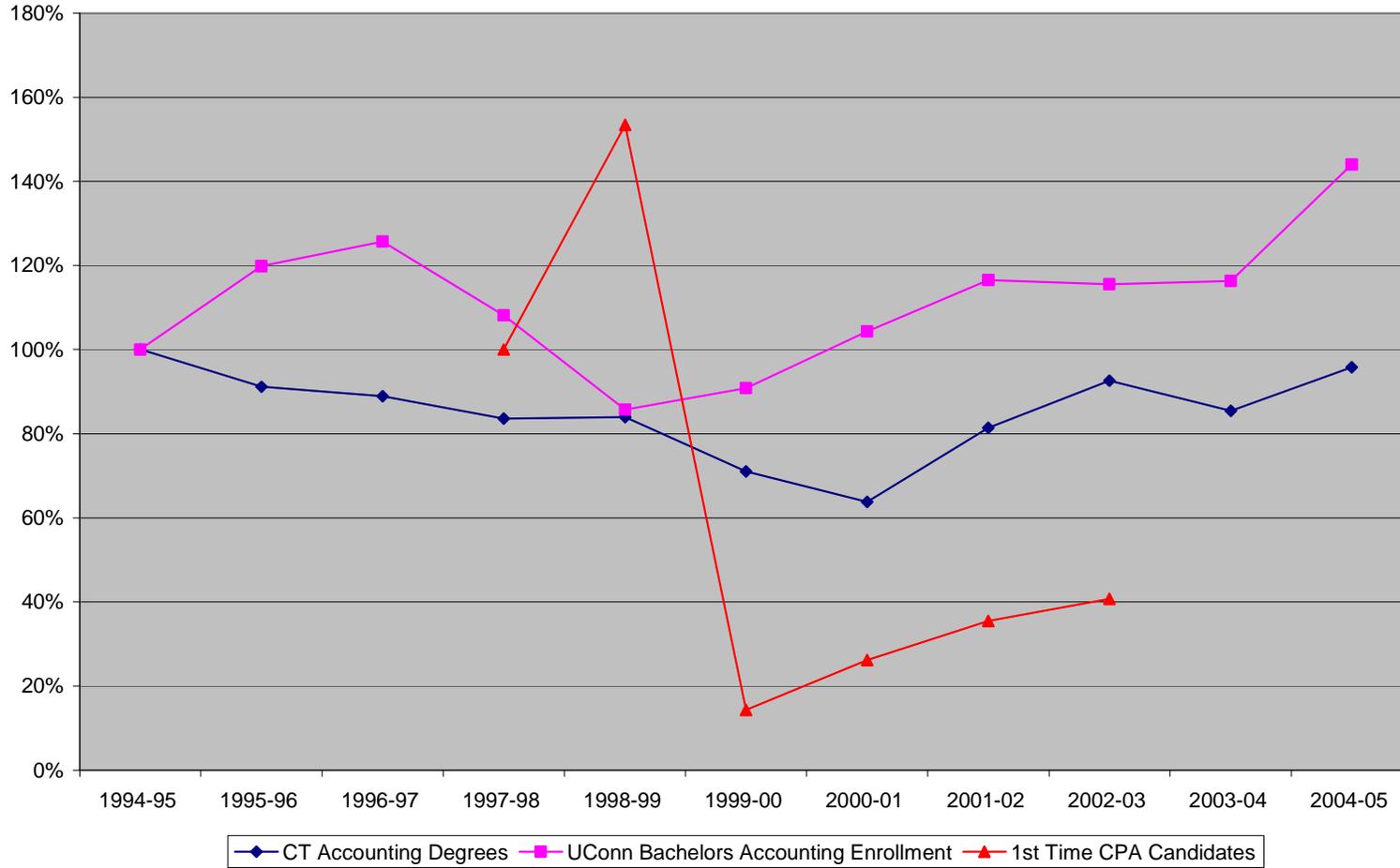


Chart 3
(Source: NASBA)

CPA Exam Candidacy

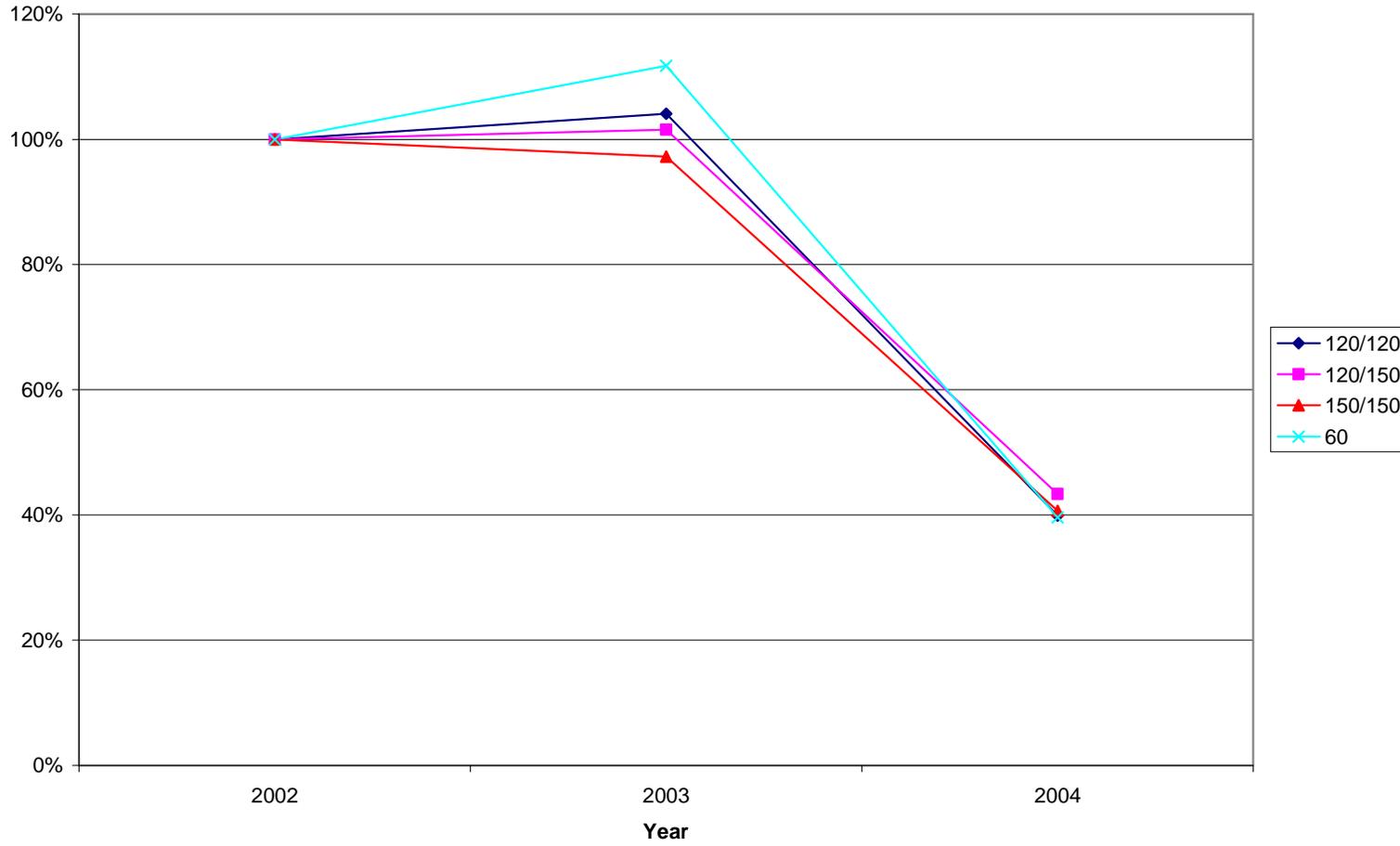


Chart 4
(Source: NASBA)

Effect of SOX and Electronic Exam on CPA Candidates

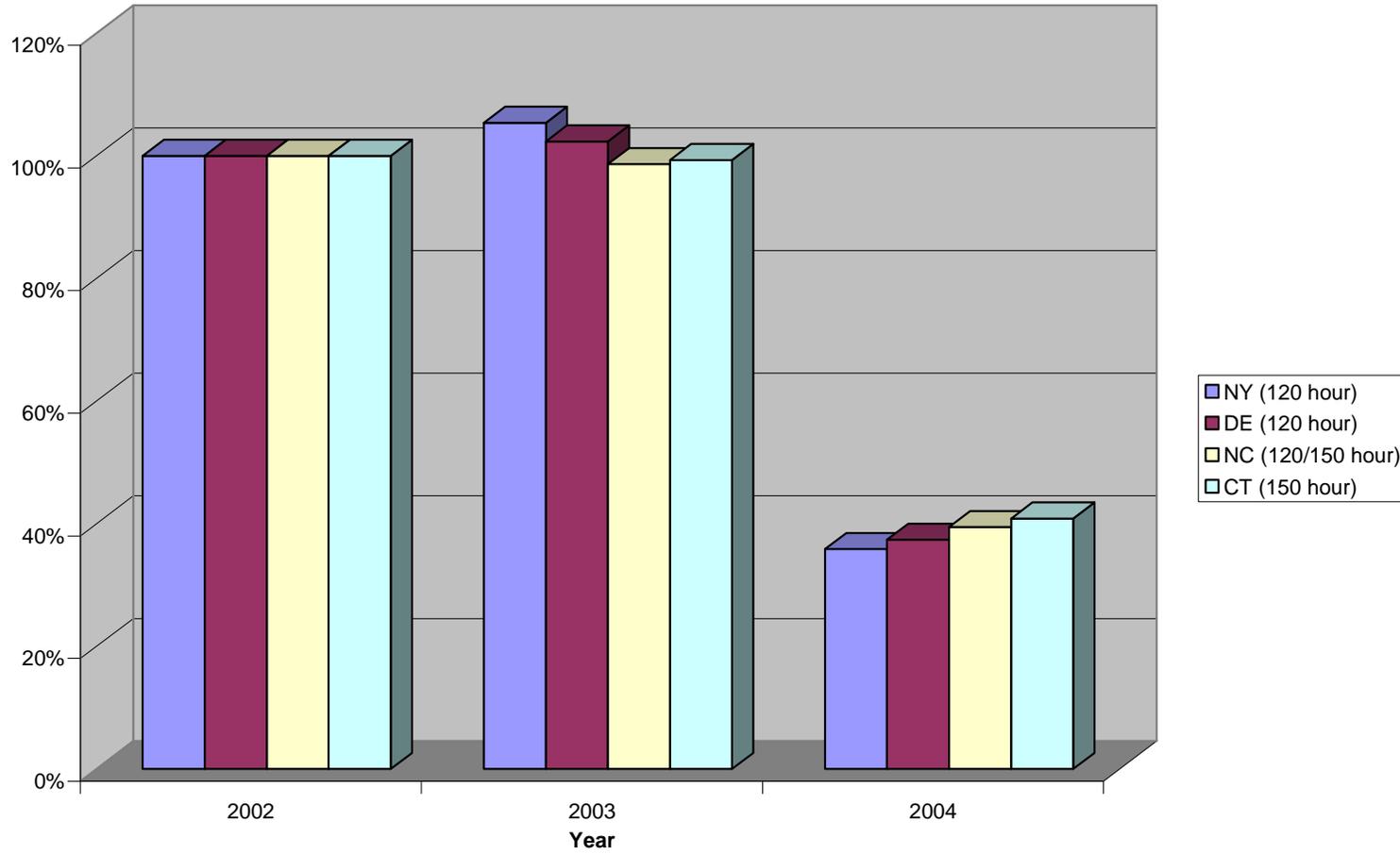


Table 1

Impediments to Taking the CPA Exam: Comments from Employees at one Hartford Area CPA Firm

Have you (or do you know someone who has) gone to take the CPA exam and been sent home due to computer problems?	If yes, how long did you (or someone you know) have to wait to reschedule your exam?	Do you have any thoughts on why the percentage of people taking the exam has decreased since it became computerized?
No	N/A	I thought the number of people taking the exam would have increased since it became computerized since people can take one part a time.
No	N/A	I did sit for the exam and have the computer crash while taking one of the sections. The computer was down for 45 minutes while they “fixed it”. When I got my exam results, it showed that I basically failed the entire section I completed after the initial crash. I complained to the board and Prometric and when they responded they basically ignored my claims. I know this isn’t quite what you were looking for, but I think it’s relevant.
Yes	Exam was rescheduled for the next day.	I have no idea, I think the new format is great, I liked it. It is way better to take one exam in a time. The only suggestion to be made is that they might release results immediately for those who got a passing grade already.
Yes	Not sure	It is easier for people to put off taking the exam. I have rescheduled sitting for the exam twice due to work constraints. Now that the managers know we have more available time to sit (i.e. not the set two times a year), they always assume we can just do it after we meet their work deadline or something.
Yes	Exam was rescheduled for the next day.	No comment given.
Yes, I was sent home do to a computer problem. They testing center had the wrong section of the exam. I was supposed to be taking the Financial section and when I arrived they told me that I was scheduled for the Regulation section. I was sent home, unable to sit for the Financial section.	I was scheduled for a Saturday and after numerous phone calls to “Prometric,” the testing center, which didn’t resolve anything, I contacted NASBA who were able to resolve the matter by the following Tuesday. I was luckily able to get schedule to sit a week and a half after I was originally scheduled.	No comment given.
Yes	2 weeks	Because it is harder to find the time continuously throughout the year to study and take it. When it was only offered twice a year, people (and employers) were more focused on it.
No	N/A	It’s more expensive.
No	N/A	Good question – perhaps there isn’t as much of the “rushed aspect” as people no longer think they only have two times to sit per year (i.e. are “forced” to take it) vis-à-vis being able to sit whenever they want
Yes	3 weeks	No comment given.
N/A - manager’s perspective	N/A	I wonder if some people never get around to registering for the test because there’s no longer a twice-a-year deadline. That has nothing to do with computerization, but just most people’s tendency to focus on what’s due. Also, it’s more expensive now, right?

Table 2
 Winter and Summer Internship Placements 1994-2006

Of the 937 internships during this period, 368 or 39.3% were non-Big 5. Twenty-three of the 117 employers (19.6%) were regional and local CPA firms (identified in **bold** below).

Advest	Gerber Optical	Phoenix Home Life
Aetna	Gerber Scientific	Photronics
American Institute for Foreign Study	Goodrich Corp. Electro-Optical Systems	Pratt & Whitney
AMS Services Inc.	Grove Property Services	PricewaterhouseCoopers LLP
Andersen LLP	Haggett Longobardi & Co. LLC	Purdue Pharmaceutical
Automotive Consultants LLC	Hamilton Sunstrand	Rayonier
Blum Shapiro & Co PC	Harrison & Company	Risdon
Campus Crusade for Christ	Hartford Life	RMI Corporation
Capitol Light & Supply	Hopmeadow Country Club	Savings Bank of Manchester
Carl Castanbo	Hughes	Scharr Industries
Carlin Charron & Rosen	IBM	Scully & Wolf
Cary Prague Software	Integrated Physicians Mngmnt Service	Seward & Monde
Carrier Corporation	Iridian Asset Management	Shane Navratil CPA
CB Commercial/Hampshire Mgmt Co.	IRS	Sheptoff Reuber
Cendant Corporation	ITT Hartford Insurance	Sikorsky
Centennial Cellular	James Lathrop CPA	Simione & Simione
Century Communications Corp.	Jet Propulsion Laboratory	Simpson Healthcare Executives
Chester Precision	Kaman Corporation	Six Flags Theme Parks
Charter Oak Federal Credit Union	Kessler Orlean Silver & Co PC	Smith Barney
CIGNA	Kostin Ruffkess & Co.LLC	SNET
City of Stamford	KPMG LLP	Sonalysts, Inc.
Clavette Josslyn & Co. LLC	Landmark Partners	State of CT Treasury
Coating Sciences	LaSaracina CPA	The Hartford Financial Services Group
Connecticut Community Care	Lego	The Hartford Insurance Services Group
Connecticut Innovations	Levinsky & Berney	TN Technology Inc.
CT State Community College System	Lisbon Tax Collector	Town of Greenwich
DeIConte, Hyde, Annello & Schuch	Lydall	TPC Riverhighlands
Deloitte & Touche LLP	Mahoney Sabol & Co.	Travelers Insurance
Donald B. Katz Associates	Manchester Memorial Hospital	UConn Bursar
DuCharme McMillen & Associates	McGladrey & Pullen LLP	UConn Continuing Education
Dworken, Hillman, LaMorte, Sterczala	Nathan Hale Inn	UConn Foundation
Echlin Inc.	Naugatuck Savings	UHY Advisors
Electrical Wholesalers	Norman Zimmer CPA	Unilever-HPC-USA
Enterprise Rent-A-Car	Northeast Utilities	United Technologies Corp
Ernst & Young LLP	North & Judd	Univ. & Comm. College System of NV
ESPN	Oxford Health Plans	Webster Bank
Fiondella Milone LaSaracina	Paine Webber	Whittlesley & Hadley
Franklin Mushroom Farms	Perkin Elmer Corp.	Zygo Corporation

The Board also heard from Professor Andrew J. Rosman, Ph.D., CPA, Director of the University of Connecticut School of Business Administration Master of Science and Internship Programs in Accounting, supporting Professor Hussein's request of the Board to reconsider its support of the proposal contained in Raised Bill 65.

The Board also heard from Professor Paul Caster, Associate Professor of Accounting at Fairfield University and Richard Dino, Associate Dean of Graduate Programs, Business Partnering and External Alliances.

After comment and discussion, Mr. Gesseck made a motion to reconsider, seconded by Mr. Bond. Chairman Reynolds determined upon reflection that Mr. Gesseck and Mr. Bond had voted against the original motion of support at the February meeting and were thus not eligible to make a motion to reconsider.

Mr. DeCaprio having voted in favor on the original motion of support at the February meeting made a motion to reconsider the Board's last vote to change the education requirement from 150 semester hours to 120 semester hours to sit for the CPA Exam, as proposed in Raised Bill 65, seconded by Mr. Weinshel. Chairman Reynolds asked for further Board member comment and after comment and discussion proceeded to a vote.

Voting Yes

Richard P. Bond
Philip J. DeCaprio Jr., CPA
Richard Gesseck, CPA
Berthann Jones

Voting No

Thomas F. Reynolds, CPA, Chairman
James Ciarcia
Leonard M. Romaniello, Jr., CPA
Richard Sturdevant
Michael Weinshel, CPA

The motion failed on a 5 to 4 vote, re-affirming the Board's support of Raised Bill 65.

After the vote the Board took a ten minute recess.

Chairman Reynolds noted the list of PCAOB reports received by the Board continues to grow. Discussion held on the reports. Mr. Gesseck reported spending 3-4 hours reviewing the reports on file with the Board, finding them very insightful and then he reported attending a PCAOB forum on small business auditing, and had an opportunity to speak to the PCAOB staff. Mr. Gesseck noted that he suggested to the staff of the PCAOB that they should summarize the information contained in part two and distribute that. The staff of the PCAOB informed Mr. Gesseck that they have a split opinion on that and it would be helpful if he would as a representative of a State Board write a letter stating his opinion on part two. Mr. Gesseck further noted that from the comments in the reports it is clear that the reviewers are really digging in. Mr. Sturdevant noted that in his review of the reports he was impressed that the PCAOB not only went to the corporate office, but also the regional offices. James Ciarcia noted that the NASBA Regulatory

Committee, which he is a member of, would be taking up the issue of PCAOB reports and producing a model response for Board's of Accountancy and he would welcome to hear any comments Board members may have. Chairman Reynolds concluded by urging members to continue to read the reports and directed the Executive Director to keep the item on the agenda.

In response to the concern raised by Leonard Romaniello at the January 10, 2006 Board meeting Executive Director Guay discussed implementation of the continuing professional education ethics requirements. Executive Director Guay suggested that the requirement be mandatory for reinstatement of the CPA License and on a self-declared basis for active CPA License holders. In response to a question from Mr. Romaniello, Executive Director Guay indicated he expected to send a notice of the continuing education changes and the ethics requirement out to licensees within two weeks.

By consensus the Board agreed to responses to the National Association of State Boards of Accountancy (NASBA) Focus Questions due back to NASBA by April 11, 2006.

REGIONAL DIRECTORS' FOCUS QUESTIONS

The input received from our focus questions is reviewed by all members of NASBA's Board of Directors, committee chairs and executive staff and used to guide their actions. We encourage you to place the following questions early on the agenda of your next board meeting to allow for sufficient time for discussion. Please send your board's responses to your Regional Director by April 11, 2006. Use additional sheets for your responses if needed.

JURISDICTION Connecticut **DATE** March 7, 2006
NAME OF PERSON SUBMITTING FORM David Guay

Deleted: _____

1. (a) Does your board have a disaster recovery plan or is your state requiring one? (b) If so, does the plan have any unique features? What areas of the plan are you focusing on for improvement? (c) Would your board be willing to share the plan documents with others? (a)

No

2. (a) Does your board have a committee structure? (b) If so, what are the names and functions of your present committees and how frequently do they meet? (c) Who is eligible to serve on committees? Are any non-board members on your committees? How are members appointed and what is their service term? (d) Do the committees have authority to take action on their own or do they serve solely in an advisory capacity?

(a) No

3. Are there any aspects of the computer-based Uniform CPA Examination about which your board members need further clarification, information or understanding?

Further clarification on whether there are windfall profits and is the exam being fairly priced.

4. What services and/or guidance could NASBA provide to your board to assist its effectiveness?

A travel ban in Connecticut has prevented Connecticut's greater participation in NASBA Connecticut would prefer to see further NASBA assistance and participation in national case enforcement

5. What is happening in your jurisdiction that is important for other state boards and NASBA to know?

[The Connecticut Board has voted to support a legislative proposal initiated by the Connecticut Society of Certified Public Accountants to change the education requirement by allowing applicants to sit for the CPA Exam at 120 hours and complete the 150 semester hours for Certification.](#)

6. NASBA's Board of Directors would appreciate as much input on the above questions as possible. How were the responses shown above compiled? Please check all that apply.

- Input only from Board Chair
 - Input only from Executive Director
 - Input only from Board Chair and Executive Director
 - [Input from all Board Members and Executive Director](#)
 - Input from some Board Members and Executive Director
 - Input from all Board Members
 - Input from some Board Members
- Other (please explain):

The Board provided the Executive Director with an informal opinion on the request from Mr. Peter Kucynski request for an exception for the experience requirement. Mr. Kucynski was looking for two exceptions; one being able to gather experience at a lower level than the agreement, and two the nature of the work performed. Members expressed the opinion that they saw no reason to make an exception. Executive Director Guay noted that he would respond to Mr. Kucynski's communication.

Mr. DeCaprio raised under other new business his understanding of the new business format for those licensees receiving compensation in the form of commissions. It is Mr. DeCaprio's understanding that a Delaware limited liability company is out there with all the appropriate Securities & Insurance licenses with the CPA investing and becoming a member of the company. General discussion produced skeptical opinions by Board members.

Mr. Romaniello raised a question under other new business about two Licensees who had been suspended by AICPA and whether the Board's staff was aware of these individuals and the action taken by the AICPA. Executive Director Guay responded that staff was aware and actively reviewing.

Chairman Reynolds offered that it had been suggested by a Board member that it would be appropriate to again hold a strategic planning meeting. Executive Director Guay suggested that the rescheduled June meeting on May 24, 2006 would be a perfect opportunity, with location to be determined.

Chairman Reynolds raised the subject of the next National Association of State Boards of Accountancy meeting, a regional meeting scheduled for June in Puerto Rico. Chairman Reynolds offered to contact the Governor's office to determine the status of the travel ban.

Under public comment Arthur Renner, Executive Director of the Connecticut Society of CPA's informed the Board of their upcoming annual meeting on May 8, 2006 at which they are planning a program to assist the Board in awarding CPA Certificates.

Mr. Renner also requested a letter from the Board confirming the Board's position on Raised Bill 65 and confirming the vote taken by the Board at this meeting. Executive Director Guay agreed to provide the letter.

Executive Director Guay under other business informed the Board of a bill in the legislature that proposes to convert the remaining Public Accountants to Certified Public Accountants. Executive Director Guay expressed his personal support of the Bill and urged the Board to consider supporting the bill and proposal.

Executive Director Guay argued that the 23 individuals who are currently Public Accountants are all that remain of the of returning World War II and Korean War veterans that were granted the title Public Accountant upon returning from active duty. The Public Accounting license was granted to these individuals in recognition of their sacrifice for their country as well as in recognition of the interruption of their accounting careers.

Connecticut's Public Accountants are the same as Connecticut's Certified Public Accountants except for the title and how they entered the profession. They currently can offer all the same services and must comply with the same continuing education requirements and pay the same license fee. Connecticut's public will continue to be protected by the licensing of accountants.

According to Executive Director Guay, the bill seeks to honor not only their service to their country but also the service these accountants have provided to their clients for a half-century. The bill also removes the impediment that Public Accountants have as a second license class in providing the same regulated services as Certified Public Accountants. It will remove the need for Public Accountants to constantly explain that they can do everything by law that a Certified Public Accountant can.

Motion made by Philip DeCaprio and seconded by Richard Bond to add to today's agenda the question of whether to support or oppose Raised Bill 5682 An Act Concerning Public Accountants, all voted in favor.

Motion made by Philip DeCaprio and seconded by Richard Bond to support Raised Bill 5682 An Act Concerning Public Accountants, which proposes to convert the remaining Public Accountants in Connecticut to Certified Public Accountants.

Voting Yes

Thomas F. Reynolds, CPA, Chairman
Richard P. Bond
James Ciarcia
Berthann Jones
Leonard M. Romaniello, Jr., CPA

Voting No

Philip J. DeCaprio Jr., CPA
Richard Gesseck, CPA
Richard Sturdevant
Michael Weinshel, CPA

The motion passes on a 5 to 4 vote.

A motion to adjourn the meeting was moved by Philip DeCaprio and seconded by James Ciarcia, all voted in favor. The meeting was adjourned at 11:20 A. M.